



udit



Report

DEFENSE INFORMATION SYSTEMS AGENCY
RIGHT-SIZING PLAN FOR REGIONAL SUPPORT ACTIVITIES

Report No. D-2000-175

August 15, 2000

Office of the Inspector General
Department of Defense

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Acronyms

DISA
RSA

Defense Information Systems Agency
Regional Support Activity



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2885

August 15, 2000

MEMORANDUM FOR DIRECTOR, DEFENSE INFORMATION SYSTEMS
AGENCY

SUBJECT: Audit Report on Defense Information Systems Agency Right-Sizing Plan
for Regional Support Activities (Report No. D-2000-175)

We are providing this report for your information and use. No written response to this report was required, and none was received. Therefore we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. Questions on this report should be directed to Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312) (wmillion@dodig.osd.mil) or Ms. Bobbie Sau Wan at (703) 604-9259 (DSN 664-9259) (bwan@dodig.osd.mil). See Appendix B for the report distribution. Audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2000-175
(Project No. D2000CG-0165)

August 15, 2000

Defense Information Systems Agency Right-Sizing Plan for Regional Support Activities

Executive Summary

Introduction. The Defense Information Systems Agency developed a plan to resize the regional support activities infrastructure as part of the goal to ensure that all regional support activities are self-sustaining. An Internal Control Plan for Right Sizing Regional Support Activities was developed and approved by the Director, Defense Information Systems Agency, on October 7, 1999. The Internal Control Plan establishes the policies, responsibilities, and procedures to guide the process for balancing revenue and costs at the regional support activities. A Right-Sizing Management Plan for Regional Support Activities was also developed and approved by the Director, Defense Information Systems Agency, on February 29, 2000. The Management Plan describes the implementation procedures for the right-sizing process. The Director, Defense Information Systems Agency, requested that the Inspector General, DoD, review the plan in advance of its implementation to ensure that the decisionmaking process is equitable and defensible, with respect to the regional support activities. For additional information on the audit process, see Appendix A.

Objectives. The audit objective was to determine whether the Defense Information Systems Agency plan for right-sizing their regional support activities conforms to the organizational goals and is consistent with DoD policy and regulations. We also reviewed the adequacy of the management control program as it applied to the audit objective.

Results. The Defense Information Systems Agency right-sizing plan for its regional support activities conforms to the organizational goals of fairness, impartiality, objectivity, and defensibility, and is consistent with DoD policy and regulations. The management controls that we reviewed were effective in that no material management control weakness was identified in the regional support activities right-sizing planning process. See Appendix A for details on the management control program.

Management Comments. We provided a draft of this report on July 3, 2000. No written response was required, and none were received. Therefore, we are publishing this report in final form.

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Background

The Defense Information Systems Agency (DISA) provides computer information technology support to DoD Military Departments and Defense agencies. DISA provides that support through 22 regional support activities (RSAs) located throughout the continental United States and the Pacific. Six of the RSAs are collocated with mainframe processing sites and the three RSAs in the Pacific are identified as Information Technology Centers.

The Deputy Secretary of Defense approved the Defense Megacenter Business Strategy on November 12, 1997. The business strategy introduces the RSA concept and states that all RSAs must be self-sustaining and cannot be subsidized by other sites or by mainframe processing. The director also requested that the Inspector General, DoD, assist in a review of the plan and analysis of the RSA right-sizing process.

Objectives

The audit objective was to determine whether the DISA plan for right-sizing their regional support activities conforms to the organizational goals and is consistent with DoD policy and regulations. We also reviewed the adequacy of the management control program as it applied to the audit objective. See Appendix A for a discussion of the audit process and the review of the management control program.

Defense Information Systems Agency Right-Sizing Plan for Regional Support Activities

The Defense Information Systems Agency right-sizing plan for its regional support activities is consistent with DoD policy and regulations, and conforms to the organizational goals of fairness, impartiality, objectivity, and defensibility. Therefore, the plan can properly provide a framework for implementing the right-sizing process.

RSA Self-Sustaining Requirement

The Deputy Secretary of Defense approved the DISA Defense Megacenter Business Strategy on November 12, 1997. DISA is involved in a Quadrennial Defense Review and Defense Reform Initiative, a mandated effort to ensure that the RSAs are self-sustaining. All RSAs operate on a fee-for-service basis, and are expected to operate on a full-cost-recovery basis; that is, each RSA must generate revenues from services performed for its customers that equals the total RSA costs. To accomplish this goal, DISA developed an internal control plan and a management plan to establish and implement an RSA infrastructure right-sizing process.

Internal Control Plan

The "Internal Control Plan for Right-Sizing Regional Support Activities," (the Internal Control Plan) was approved by the Director, DISA on October 7, 1999. The Internal Control Plan establishes the policies, responsibilities, and procedures to guide the process for balancing revenue and costs at the RSAs. To ensure that the right-sizing process is impartial, the Internal Control Plan establishes a project organization, tasked with managing the process, which is "clearly separate from RSA operations." In accordance with this impartiality principle, the Internal Control Plan articulates a multitier organization to manage the right-sizing process.

- **Director, DISA.** Internal Control Plan designates the Director, DISA, as the "senior approval authority" for the RSA right-sizing process. The director is tasked with approving the Internal Control Plan and the Management Plan, and must approve any involuntary personnel actions resulting from the right-sizing process.
- **Executive Group.** The executive group assists the director as an advisory body. It is chaired by the Deputy Director for Strategic Plans and Policy and is composed of various DISA organization heads. Specific responsibilities of the executive group include:

approval of data collection plans, approval of right-sizing actions for designated sites, review of right-sizing action implementation, and oversight of the right-sizing working group.

- **Working Group.** The working group identifies issues and documents decisions relating to the right-sizing process. It is chaired by the Chief, Defense Computing Business Office, and is composed of representatives from the DISA Comptroller and the DISA field command with geographic responsibility for the Western Hemisphere Theater (WESTHEM). The working group is tasked with developing the Internal Control Plan and the Management Plan, developing the plans for collecting data to be used in the right-sizing decision process, and coordinating with the various field organizations.

The Internal Control Plan also establishes general procedural rules for collecting data to be used in the right-sizing process and establishes milestones for completing the process.

Management Plan

The Director, DISA, approved the Management Plan on February 29, 2000. The Management Plan describes the process that will be used to ensure that RSAs and Information Technology Centers operate in a self-sustaining, full-cost-recovery manner. Under the Management Plan, an "executive group" composed of various members of the DISA upper management will be tasked with overseeing the right-sizing process; however, any involuntary personnel actions resulting from the process, such as reduction-in-force actions, will require approval by the Director, DISA. The plan outlines a repeating annual process where a management evaluation of the RSA performance and financial status, and resultant corrective actions, occur on an 18-month cycle. DISA expects this process to continue indefinitely until the executive group overseeing the right-sizing plan determines that it is no longer needed.

The Management Plan states that the RSA right-sizing process is intended to achieve the following goals:

- ensure the continuity of critical military functions;
- ensure that RSAs are competitive, based on price and performance; and
- balance costs and revenues in the RSAs.

Inspector General, Department of Defense, Review

The DISA right-sizing plan for its regional support activities conforms with the organizational goals of fairness, impartiality, objectivity, and defensibility, and is consistent with DoD policy and regulations. The audit initially identified one

concern regarding planned IG, DoD, involvement in the Management Plan's implementation; however, DISA management adequately addressed that concern during the course of the audit. Therefore, the plan can properly provide a framework for implementing the DISA right-sizing process.

IG, DoD, Review of Right-Sizing Process. Paragraphs 3.4.1.1 and 3.4.1.2 of the Management Plan state that DISA WESTHEM must identify and review all policies and practices related to the allocation of overhead and cost transfers among the RSAs. After reviewing those policies and practices, the Commander, DISA WESTHEM, must certify that they are equitable and in accordance with all applicable Defense Working Capital Fund guidance. Paragraph 3.4.3.4 states that DISA will request that the IG, DoD, review the accuracy and completeness of the data used in the right-sizing process, and verify that overhead is allocated in a fair and equitable manner among the RSAs.

We suggested that the right-sizing plan could be implemented more expeditiously if IG, DoD, preemptively reviewed the policies and practices for allocating overhead and cost transfers contemporaneously with the DISA review. In the event that IG, DoD, identified problems with the overhead or cost transfer allocation methodology, DISA would have the opportunity to revise its policies or practices at the first instance, rather than relying on a potentially flawed methodology. However, the Chief, Defense Computing Business Office, DISA stated that while WESTHEM had not yet completed management reviews of its field activities as called for by the Management Plan, it would not be appropriate for the IG, DoD, to preemptively review those same policies and procedures. The chief further stated that when the year-end financial data is available, the IG, DoD, will have sufficient time to validate policies and procedures for overhead allocation and cost transfers, and to analyze whether each RSA was treated fairly and equitably. DISA agreed to revise the Management Plan accordingly.

Summary

No discrepancies were found in the DISA Internal Control Plan. Minor discrepancies were identified in the DISA Management Plan, which DISA corrected during the execution of this audit. Therefore the plan for the decisionmaking process is equitable and defensible. Accordingly, there are no recommendations in this report.

Appendix A. Audit Process

Scope

Work Performed. We reviewed the approved DISA Internal Control Plan and Management Plan for the right-sizing process, interviewed cognizant DISA personnel, and reviewed other DISA documentation applicable to the audit objectives.

DoD-Wide Corporate Level Government Performance and Results Act (GPRA) Coverage. In response to the GPRA, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal and subordinate performance goal:

- **FY 2000 DoD Corporate Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs and reengineer the Department to achieve a 21st century infrastructure.
- **FY 2000 Subordinate Performance Goal 2.3:** Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms (00-DoD-2.3).

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the Department of Defense. This report provides coverage of the Defense Infrastructure high-risk area.

Methodology

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Audit Type, Dates, and Standards. This economy and efficiency audit was performed from April to May 2000, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted organizations within DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of DISA management controls over development of its RSA right-sizing plan. Specifically, we reviewed the DISA "Internal Control Plan for Right-Sizing Regional Support Activities" to determine whether the plan established adequate controls over the RSA right-sizing planning process. Because we did not identify a material weakness, we did not assess management's self-evaluation.

Adequacy of Management Controls. DISA management controls over the RSA right-sizing planning process were adequate in that we identified no material management control weaknesses.

Prior Coverage

No prior coverage has been conducted on the subject during the last 5 years.

Appendix B. Report Distribution

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Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector, DoD, who contributed to the report are listed below.

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